

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Sanford	County Midland
Fiscal Year End June 30, 2006	Opinion Date October 6, 2006	Date Audit Report Submitted to State December 22, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Internal Audit Committee Letter	
Certified Public Accountant (Firm Name) Burnside & Lang, P.C.		Telephone Number (989) 835-7721	
Street Address 5915 Eastman Ave, Suite 100		City Midland	State MI
Zip 48640			
Authorizing CPA Signature 	Printed Name Mark R. Freed, CPA, CSEP	License Number 1101012221	

**VILLAGE OF SANFORD**  
Midland County, Michigan

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FINANCIAL STATEMENTS  
For The Year Ended June 30, 2006

# **VILLAGE OF SANFORD**

## **VILLAGE COUNCIL**

**Ronald Lowry**

**President**

**Shannon Hartshorn**

**Clerk**

**Catherine Kraft**

**Deputy Clerk**

**Linda Geiger**

**Treasurer**

**Barbara Piper**

**Deputy Treasurer**

**VILLAGE OF SANFORD  
Midland County, Michigan**

**AUDITED FINANCIAL STATEMENTS  
June 30, 2006**

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**Independent Auditors' Report**

To the Village Council  
Village of Sanford  
Midland County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Sanford, Midland County, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Sanford's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Sanford, Midland County, Michigan, as of June 30, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other supplementary information on page 21 is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Midland, Michigan  
October 6, 2006

**Village of Sanford**  
**Management's Discussion and Analysis**  
**June 30, 2006**

The Village of Sanford has four separate funds. Each month a financial statement is prepared for each fund on a cash basis. Please find the 6/30/2006 financials enclosed.

**Financial Highlights**

Our financial position as a whole has improved. Total revenue was approximately \$278,000, expenditures were \$269,000.

**Individual Funds**

**General Fund:** This fund is used to record all activities of the Village that aren't required to be recorded in a separate fund. This would include our park and the Village Hall expenses. The main source of revenue for the General Fund is from the Village tax base and the revenue sharing from the State. Large expenses include park maintenance, utilities and employee salaries.

**Major Streets:** This fund is used to record revenues and expenses for major (state owned) streets located within the Village. The major source of revenue comes from the State of Michigan in the form of transportation taxes. The primary task is to keep streets in good working condition.

**Local Streets:** This fund is used to record revenues and expenses for local (Village owned) streets. Local street revenue comes from property taxes and from the state. The primary task is to keep streets in good working condition.

**Liquor Fund:** The state pays a fee to hire a Liquor Inspector. \$1,400 comes in as revenue and goes back out for salary.

**Utility Fund:** This money is set aside, inside the General Fund, in hopes of a sewer treatment plant for the Village of Sanford in the future. The money to start this fund came from Water District #1. This year the General Fund deposited \$20,000 into the Utility Fund.

**Budget**

The budget was amended to correct unforeseen expenses, but overall, was very stable and right on target.

### **Capital Assets and Long-Term Debt Activity**

New assets of \$91,751.00 include roadwork of \$76,597, park picnic tables of \$1,008, capital improvements of \$3,950, two new flagpoles of \$2,260, a new computer for \$776 and a new mower for \$6,800. We did not incur any new debt during the year.

### **Infrastructure Assets**

A list of all assets has been compiled and is enclosed.

### **Future Plans**

The Village plans for the future is to continue to improve our community for our taxpayers in the way they direct us.

### **Contact**

Any questions or concerns, call Linda Geiger, Village Treasurer at (989) 687-5077.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**

**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

**June 30, 2006**

**ASSETS**

**CURRENT ASSETS:**

Cash in bank	\$ 676,583
Due from State of Michigan	<u>12,643</u>

Total Current Assets	<u>689,226</u>
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**NON-CURRENT ASSETS:**

Capital Assets	548,680
Less: Accumulated Depreciation	<u>(177,905)</u>
Net capital assets	370,775
Lease receivable	<u>101,127</u>

Total Non-current Assets	<u>471,902</u>
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<b>TOTAL ASSETS</b>	<b><u><u>1,161,128</u></u></b>
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**LIABILITIES AND NET ASSETS**

**LIABILITIES:**

**CURRENT LIABILITIES:**

Accounts payable	<u>\$ 7,460</u>
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Total Current Liabilities	<u>7,460</u>
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**NON-CURRENT LIABILITIES:**

Security deposit	450
Deferred revenue	101,127
Loan payable	<u>101,127</u>

Total Non-Current Liabilities	<u>202,704</u>
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Total Liabilities	<u>210,164</u>
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**NET ASSETS:**

Invested in Capital Assets, Net of Related Debt	269,648
Unrestricted	<u>681,316</u>

Total Net Assets	<u>950,964</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>1,161,128</u></u></b>
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The accompanying notes are an integral part of the financial statements.



**VILLAGE OF SANFORD**  
**Midland County, Michigan**

**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2006**

		<b><u>Program Revenues</u></b>		<b><u>Net (Expenses)</u></b>
		<b><u>Charges for</u></b>	<b><u>Operating</u></b>	
<b><u>FUNCTIONS/PROGRAMS</u></b>	<b><u>Expenses</u></b>	<b><u>Services</u></b>	<b><u>Grants and</u></b>	<b><u>Revenues and</u></b>
			<b><u>Contributions</u></b>	<b><u>Changes in</u></b>
				<b><u>Net Assets</u></b>
Governmental Activities:				
Legislative	\$ 58,972	\$ -	\$ -	\$ (58,972)
General government	34,240	-	-	(34,240)
Public safety	10,733	6,836	-	(3,897)
Public works	34,667	24,761	-	(9,906)
Recreation and culture	50,889	-	-	(50,889)
Interest on long-term debt	5,604	-	14,842	9,238
Total Governmental Activities	<u>\$ 195,105</u>	<u>\$ 31,597</u>	<u>\$ 14,842</u>	<u>(148,666)</u>
General Revenues:				
Property taxes				47,694
State revenue sharing				150,730
Rents				4,270
Interest				20,538
Received from other governments				8,325
Miscellaneous				56
Total General Revenues				<u>231,613</u>
Change in net assets				82,947
Net assets, beginning of year				<u>868,017</u>
Net Assets, End of Year				<u><u>\$ 950,964</u></u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**

**BALANCE SHEET-GOVERNMENTAL FUNDS**

**June 30, 2006**

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Liquor</u>	<u>Total</u>
<b>ASSETS</b>					
Cash in bank	\$ 174,169	\$ 250,361	\$ 251,221	\$ 832	\$ 676,583
Due from State of Michigan	-	9,072	3,571	-	12,643
Lease receivable	101,127	-	-	-	101,127
	<u>101,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,127</u>
<b>Total Assets</b>	<b><u>\$ 275,296</u></b>	<b><u>\$ 259,433</u></b>	<b><u>\$ 254,792</u></b>	<b><u>\$ 832</u></b>	<b><u>\$ 790,353</u></b>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities:					
Security deposit	\$ 450	\$ -	\$ -	\$ -	\$ 450
Accounts payable	5,660	1,800	-	-	7,460
Deferred revenue	101,127	-	-	-	101,127
Total liabilities	<u>107,237</u>	<u>1,800</u>	<u>-</u>	<u>-</u>	<u>109,037</u>
Fund Equity					
Total fund equity	<u>168,059</u>	<u>257,633</u>	<u>254,792</u>	<u>832</u>	<u>681,316</u>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$ 275,296</u></b>	<b><u>\$ 259,433</u></b>	<b><u>\$ 254,792</u></b>	<b><u>\$ 832</u></b>	<b><u>\$ 790,353</u></b>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**

**June 30, 2006**

TOTAL FUND BALANCES-GOVERNMENTAL FUNDS	\$ 681,316
Amounts reported for governmental activities in the statement of net assets are different because-	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	548,680
Accumulated depreciation	(177,905)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the government funds balance sheet:	
Loan payable	<u>(101,127)</u>
TOTAL NET ASSETS-GOVERNMENTAL ACTIVITIES	<u><u>\$ 950,964</u></u>

**VILLAGE OF SANFORD**  
**Midland County, Michigan**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES-**  
**GOVERNMENTAL FUNDS**  
**Year ended June 30, 2006**

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Liquor</u>	<u>Total</u>
<b>Revenue:</b>					
Property taxes	\$ 47,694	\$ -	\$ -	\$ -	\$ 47,694
State revenue sharing	72,431	50,532	26,302	1,465	150,730
Licenses & permits	6,836	-	24,761	-	31,597
Interest	6,796	7,167	6,574	1	20,538
Rents	19,112	-	-	-	19,112
Received from other Governments	8,325				8,325
Miscellaneous	56	-	-	-	56
<b>Total revenues</b>	<b>161,250</b>	<b>57,699</b>	<b>57,637</b>	<b>1,466</b>	<b>278,052</b>
<b>Expenditures:</b>					
Legislative:					
Village Council	58,972	-	-	-	58,972
General government:					
Clerk	12,317	-	-	-	12,317
Treasurer	10,928	-	-	-	10,928
Public safety:					
Liquor control	-	-	-	1,349	1,349
Building inspection	9,384	-	-	-	9,384
Public works:					
Highways and streets	-	15,673	8,454	-	24,127
Recreation and culture:					
Village park	41,722	-	-	-	41,722
Other programs	3,663				3,663
Capital outlay	15,154	21,695	54,902	-	91,751
Debt service:					
Principal	9,238	-	-	-	9,238
Interest	5,604	-	-	-	5,604
<b>Total expenditures</b>	<b>166,982</b>	<b>37,368</b>	<b>63,356</b>	<b>1,349</b>	<b>269,055</b>
<b>Excess (deficiency) of revenues over expenditures</b>	(5,732)	20,331	(5,719)	117	8,997
Fund balance, beginning	173,791	237,302	260,511	715	672,319
<b>Fund balances-ending</b>	<b>\$ 168,059</b>	<b>\$ 257,633</b>	<b>\$ 254,792</b>	<b>\$ 832</b>	<b>\$ 681,316</b>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN-**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**Year ended June 30, 2006**

NET CHANGE IN FUND BALANCES-TOTAL GOVERNMENTAL FUNDS	\$ 8,997
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures: in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation Expense	(27,039)
Capital Outlay Additions	91,751
Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets	
Principal payments on long-term debt	<u>9,238</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 82,947</u></u>

**VILLAGE OF SANFORD**  
**Midland County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Village of Sanford conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village:

**Reporting Entity**

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Sanford. The Village is governed by an elected Village Council. As required by generally accepted accounting principles (GAAP), these financial statements present the Village as the primary government.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Village's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contribution that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgements are recorded only when payment is due.

**Governmental Funds**

The government reports the following major funds:

The General Fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

The Major Street Fund accounts for the receipt and expenditures of State motor fuel taxes which are earmarked by law for major street and highway purposes.

The Local Street Fund is used to account for the receipt and expenditure of State motor fuel taxes which are earmarked by law for local street and highway purposes.

The Liquor Fund accounts for the receipt and expenditures of State liquor control funding.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, and Net Assets**

Bank deposits and investments-Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less.

**Receivables**

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

**Inventories**

Inventories of supplies are considered to be immaterial and are not recorded.

**Property Taxes**

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

**Capital Assets**

Capital assets are defined by the Village as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	10-30 years
Furniture and equipment	3-20 years



**VILLAGE OF SANFORD**  
**Midland County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Compensated Absences (Vacation and Sick Leave)**

Village employees are not allowed to accumulate vacation and sick pay, and therefore, no accumulated amount is recorded in the financial statements.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Encumbrances**

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

**NOTE 2. BUDGETS AND BUDGETARY ACCOUNTING**

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village council for consideration.
2. The proposed budgets include expenditures, as well as, the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Village council during the fiscal year.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the debt service funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is the department or activity level.

Excess of Expenditures Over Appropriations in Budgeted Funds—During the year, the Village incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budgeted Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund- Building Inspection	\$ <u>8,180</u>	\$ <u>9,384</u>

**NOTE 4. DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Village is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptances of United States banks' commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village council has designated seven banks for the deposit of Village funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory as listed above.

The Village's deposits and investment policy are in accordance with statutory authority.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 4. DEPOSITS AND INVESTMENTS (Continued)**

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits as follows:

	<u>Carrying Amount</u>
Insured (FDIC)	\$ 676,008
Uninsured and Uncollateralized	574
Total	<u><u>\$ 676,582</u></u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks. The Village of Sanford did not have any investments as of June 30, 2006.

**Investment and Deposit Risk**

**Custodial Credit Risk – Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had \$574 of bank deposits (certificates of deposit, checking and savings accounts) that were potentially uninsured and uncollateralized.

**Custodial Credit Risk – Investments.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that the Village of Sanford will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Village had no investment activity.

**Interest Rate Risk.** Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The Village's current investments have no potential interest rate risk.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 5. CAPITAL ASSETS**

Capital asset activity of the Village's Governmental activities for the current year was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Land	\$ 153,750	\$ 76,597	\$ -	\$ 230,347
Buildings	203,940	3,950	-	207,890
Equipment	105,867	11,204	(6,628)	110,443
Total	463,557	91,751	(6,628)	548,680
Accumulated Depreciation	(157,494)	(27,039)	6,628	(177,905)
Net Capital Assets Being Depreciated	<u>\$ 306,063</u>	<u>\$ 64,712</u>	<u>\$ -</u>	<u>\$ 370,775</u>

Depreciation expense was charged to programs of the Village as follows:

General government	\$ 10,995
Public works	10,540
Recreation and culture	5,504
Total depreciation expense	<u>\$ 27,039</u>

**NOTE 6. CHANGES IN LONG-TERM DEBT**

A summary of changes in long-term debt follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Building loan payable	<u>\$ 110,366</u>	<u>\$ -</u>	<u>\$ (9,239)</u>	<u>\$ 101,127</u>

**VILLAGE OF SANFORD**  
**Midland County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**

**NOTE 7. BUILDING LOAN PAYABLE**

On October 15, 1999, the Village obtained a loan for \$150,000 for the purpose of funding the purchase of a building to be used as a Water District No.1 Office Building. The building is being paid for in sixty quarterly payments of \$3,710, including interest at the rate of 2.25% per annum. As of June 30, 2006, the principal balance outstanding on the building was \$101,127.

**NOTE 8. LEASE COMMITMENT**

The Village constructed a building for the Midland County Water District No.1(the Authority) at a total cost of \$150,000.

The Village entered into a capital lease with the Authority for the sale of the building at an amount of \$150,000. As of June 30, 2006, the balance of the lease receivable was \$101,127, as was the balance of the corresponding construction loan. The principal and interest payments by the Authority for the construction loan are accounted for as revenue in the period paid. The amounts to be received from the Authority, under the lease commitment, are identical to the amounts due on the building loan payable.

**NOTE 9. MIDLAND COUNTY WATER DISTRICT NO.1**

The Village is designated as a Constituent of the Authority. The Authority was acquired and financed pursuant to a contract between the Township of Lincoln, the Village of Sanford and the Township of Jerome. The Authority is a public body corporate with the power to sue or be sued by the state. It is not considered a component unit of the Village.

**NOTE 10. RISK MANAGEMENT**

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 11. BUILDING PERMITS**

As of June 30, 2006, the Village had building permit revenues of \$6,836 and building permit expenses of \$9,384.

**VILLAGE OF SANFORD**  
**Midland County, Michigan**

**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND**

**Year ended June 30, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
<b>Revenues:</b>				
Property taxes	\$ 46,080	\$ 47,380	\$ 47,694	\$ 314
State revenue sharing	67,701	69,190	72,431	3,241
Licenses & permits	2,645	4,803	6,836	2,033
Interest	4,400	4,400	6,796	2,396
Rents	5,400	3,075	19,112	16,037
Received from other governments	-	2,000	8,325	6,325
Miscellaneous	100	100	56	(44)
<b>Total revenues</b>	<b>126,326</b>	<b>130,948</b>	<b>161,250</b>	<b>30,302</b>
<b>Expenditures:</b>				
Legislative:				
Village Council	56,455	69,163	58,972	(10,191)
General government:				
Clerk	10,603	13,586	12,317	(1,269)
Treasurer	10,910	10,960	10,928	(32)
Public safety:				
Building inspection	8,180	8,180	9,384	1,204
Recreation and culture:				
Village park	35,205	42,594	41,722	(872)
Other programs	53,500	53,500	3,663	(49,837)
Capital outlay	15,154	15,154	15,154	-
Debt service:				
Principal	9,238	9,238	9,238	
Interest	5,604	5,604	5,604	
<b>Total expenditures</b>	<b>204,849</b>	<b>227,979</b>	<b>166,982</b>	<b>(60,997)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(78,523)</b>	<b>(97,031)</b>	<b>(5,732)</b>	<b>(30,695)</b>
Fund balance, July 1	173,791	173,791	173,791	-
<b>Fund Balance, June 30</b>	<b>\$ 95,268</b>	<b>\$ 76,760</b>	<b>\$ 168,059</b>	<b>\$ (30,695)</b>

**VILLAGE OF SANFORD**  
**Midland County, Michigan**

**BUDGETARY COMPARISON SCHEDULE-MAJOR STREET FUND**

**Year ended June 30, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
<b>Revenues:</b>				
State revenue sharing	\$ 52,000	\$ 52,000	\$ 50,532	\$ (1,468)
Interest	3,000	3,000	7,167	4,167
<b>Total revenues</b>	<u>55,000</u>	<u>55,000</u>	<u>57,699</u>	<u>2,699</u>
<b>Expenditures:</b>				
Public works:				
Highways and streets	112,390	112,390	15,673	(96,717)
Capital outlay	21,695	21,695	21,695	-
<b>Total expenditures</b>	<u>134,085</u>	<u>134,085</u>	<u>37,368</u>	<u>(96,717)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(79,085)</b>	<b>(79,085)</b>	<b>20,331</b>	<b>(94,018)</b>
Fund balance, July 1	<u>237,302</u>	<u>237,302</u>	<u>237,302</u>	<u>-</u>
<b>Fund Balance, June 30</b>	<b><u>\$ 158,217</u></b>	<b><u>\$ 158,217</u></b>	<b><u>\$ 257,633</u></b>	<b><u>\$ (94,018)</u></b>

**VILLAGE OF SANFORD**  
**Midland County, Michigan**

**BUDGETARY COMPARISON SCHEDULE-LOCAL STREET FUND**

**Year ended June 30, 2006**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Over (Under)</b>
<b>Revenues:</b>				
State revenue sharing	\$ 20,500	\$ 20,500	\$ 26,302	\$ 5,802
Licenses & permits	24,000	24,000	24,761	761
Interest	3,000	3,000	6,574	3,574
<b>Total revenues</b>	<u>47,500</u>	<u>47,500</u>	<u>57,637</u>	<u>10,137</u>
<b>Expenditures:</b>				
Public works:				
Highways and streets	101,830	101,830	8,454	(93,376)
Capital outlay	54,902	54,902	54,902	-
<b>Total expenditures</b>	<u>156,732</u>	<u>156,732</u>	<u>63,356</u>	<u>(93,376)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(109,232)</b>	<b>(109,232)</b>	<b>(5,719)</b>	<b>(83,239)</b>
Fund balance, July 1	<u>260,511</u>	<u>260,511</u>	<u>260,511</u>	<u>-</u>
<b>Fund Balance, June 30</b>	<b><u>\$ 151,279</u></b>	<b><u>\$ 151,279</u></b>	<b><u>\$ 254,792</u></b>	<b><u>\$ (83,239)</u></b>



**VILLAGE OF SANFORD**  
**Midland County, Michigan**

**GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT**

**Year ended June 30, 2006**

**Village Council:**

Professional services	\$ 4,443
Printing and publishing	1,649
Paid to other governments	2,000
Insurance	10,371
Street lights	15,594
Sanford Historical Society	2,500
Yard waste collection	2,999
Property taxes	1,463
Maintenance & repair	6,966
Utilities	5,023
Sanford Lake assessment	1,449
Adopt A Corner	1,163
Miscellaneous	3,352
	<hr/> 58,972 <hr/>

**Clerk:**

Salary	9,346
Fringe benefits	715
Office supplies	995
Transportation	328
Maintenance & repair	81
Utilities	852
	<hr/> 12,317 <hr/>

**Treasurer:**

Salary	8,700
Professional services	1,475
Fringe benefits	666
Office supplies	87
	<hr/> 10,928 <hr/>

**Building inspection & Liquor Control:**

Salary	8,520
Fringe benefits	514
Transportation	27
Education & training	323
	<hr/> 9,384 <hr/>

**Village park & Other programs:**

Salary	24,227
Fringe benefits	1,853
Sanitation	5,009
Utilities	836
Maintenance & repairs	9,797
Other programs	3,663
	<hr/> 45,385 <hr/>

**Capital outlay**

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15,154

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**Debt service**

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14,842

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**Total Expenditures**

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\$ 166,982

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October 6, 2006

Members of the Village Council  
Village of Sanford  
Midland County, Michigan

Dear Council Members:

In planning and performing our audit of the financial statements of the Village of Sanford ("the Village"), for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

### **OTHER MATTERS**

The following items, although not considered reportable conditions, are matters we believe worthy of your consideration.

### **Recording of Capital Purchases**

The Village currently records capital purchases within the Maintenance & Repair accounts in the General Ledger. It is our recommendation that separate accounts for Maintenance & Repair and Equipment Purchases be maintained for better reporting accuracy and auditing convenience.

**CONCLUSION**

These conditions were considered in determining the nature, timing, and extent of the audit tests applied on our audit of the June 30, 2006, financial statements, and this report does not affect our report on those financial statements dated October 6, 2006. We have not considered internal control since the date of our report.

This report is intended for the information of the members of the Village Council, management and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in cursive script, appearing to read "Burnside & Lang, P.C.", is written above the firm's name.

**BURNSIDE & LANG, P.C.**

October 6, 2006

Members of the Village  
Village Council  
The Village of Sanford  
Midland, Michigan

This letter is intended to inform the Village Council of the Village of Sanford (“the Village”) about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility, and that we comply with our professional responsibilities to the Village Council.

The following summarizes various matters which must be communicated to you under U.S. generally accepted auditing standards.

#### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

Our audit of the financial statements of the Village of Sanford for the year ended June 30, 2006 was conducted in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Accordingly, the audit was designed to obtain reasonable, rather than absolute, assurance about the financial statements. We believe that our audit accomplished that objective.

In planning and performing our audit, we considered the Village’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

#### **Management Judgments and Accounting Estimates**

Accounting estimates are an integral part of the preparation of financial statements and are based on management’s current knowledge. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us that they used all the relevant facts available to them at the time to make the best judgment about accounting estimates, and we considered this information in the scope of our audit. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

Audit & Assurance Services ■ Accounting & Finance Services ■ Estate & Gift Tax Planning & Consulting  
Tax Planning & Preparation ■ Financial & Management Assistance ■ Business Valuations

### **Audit Adjustments**

There were audit adjustments made to the original trial balance presented to us to begin our audit. In our judgment, the adjustments we proposed, either individually or in the aggregate, are not considered to have a significant effect on the Village's financial reporting process. A copy of all audit adjustments accompany this letter.

### **Accounting Policies and Alternative Treatments**

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Village. The Village did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period which should be brought to your attention for approval.

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### **Disagreements with Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

### **Consultation with Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing related matters.

### **Major Issues Discussed with Management Prior to Retention**

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in the performance of our audit.

Village Council  
The Village of Sanford  
October 6, 2006  
Page 3

**Other Matter**

*Internal Control Policies*

Statement on Auditing Standard (SAS) No. 99, requires auditors to assess risks of fraud after taking into account the evaluation of the townships programs and controls to prevent, deter and detect fraud. As part of our responsibilities under SAS 99, we have addressed the risk assessment by performing inquiries, completing comprehensive checklists and performing other procedures designed to detect fraud risk factors. SAS 99 further states that it is management's responsibility for designing and implementing effective systems and procedures for preventing, deterring and detecting fraud. While we did not identify any specific fraud risks, we recommend the Village periodically review the controls in place to prevent, deter and detect fraud.

Sincerely,

A handwritten signature in cursive script that reads "Burnside & Lang, P.C.".

BURNSIDE & LANG, P.C.  
Midland, Michigan  
October 6, 2006